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Capital Warrant Article Funding FAQs

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In this difficult budget year, the town boards have looked for additional sources of funds to mitigate the severity of service cuts. At the request of the Finance Committee, the Town Manager instituted a relook at unexpended funds from old warrant articles to determine if some of those could be released at this point.

1. What are capital warrant articles?

The municipal budget is divided between the operating budget and the capital budget. The operating budget consists of costs that tend to recur: personnel costs, maintenance expenses, and capital items that recur on a regular, predictable basis (police cruisers, for example). Budget items which are either large (a new fire truck) or new (Comprehensive Community Plan) usually go to town meeting as capital warrant articles.

2. How are capital warrant articles funded?

All capital warrant articles must be approved by Town Meeting. Most capital warrant articles are paid for with the funds allocated to the municipal operating entity through the ALG process. In addition, some capital projects are funded by closely related Enterprise Funds. For example, ambulances and fire trucks may be funded by the Ambulance Enterprise Fund, equipment needed at the Transfer Station may be funded through the NESWC Enterprise Fund, etc.

3. Where are the funds held?

In the General Fund. An audit of the Town Finances is done each year by an independent auditor. The auditor's report is on the town's website. The category is 'Encumbrances and Continuing Appropriations'. This category includes both operating budget encumbrances and funding for all capital warrant articles that has not been expended. (Look under 'Municipal Financial Information' on the town's home page to find the report).

4. Why weren't the funds returned before?

It is frequently the case that capital projects span multiple years. In the case of projects that involve partial state funding, these projects can take many years. Some expenses associated with a project may come in after the bulk of the project is completed. State reimbursement for expenses come in even later. When evaluating old warrant articles, the previous Town Manager held funds in case additional expenses associated with a specific warrant articles arose later. The policy of the current Town Manager is to return funds sooner.

5. What is the new process for closing capital warrant articles?

The Board of Selectmen has established a policy that the Town Manager will report on all outstanding warrant articles by the 2nd Board of Selectmen meeting in June each year as part of the end of year closeout of the budget. The Town Manager will identify the projects which have been completed. Any

unexpended funds from those warrant articles will be returned to reserves. The Town Manager will give a status update on any projects which have not been completed.

6. How much money from unexpended warrant articles will be released?

Town staff has identified approximately \$728,000 of funds from 18 articles that will be released. All of these funds will be released to their original source (mostly free cash) where they are available for future appropriation by Town Meeting for any legal municipal purpose.

Town Meeting will be presented with the choice of using some funds from free cash to cover expenses in FY11 for purposes closely related to the original warrant articles (COPS in Schools and Bridge Repair). The Reserve balance shown on the ALG spreadsheet in the Town Meeting Warrant includes these funds assuming that Town Meeting approves all the monetary articles.